

Message Text

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PAGE 01 WARSAW 05373 161208Z

47

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SUBJECT: POLISH-SOVIET TRADE PROTOCOL

REF: MOSCOW 11464

1. SUMMARY: THE POLISH-SOVIET TRADE PROTOCOL, SIGNED SHORTLY BEFORE PREMIER KOSYGIN'S VISIT TO POLAND, CALLS FOR MODERATE GROWTH IN BILATERAL TRADE DURING THE NEXT FIVE YEARS. MORE IMPORTANTLY, IT SIGNALS A CHANGE IN THE PATTERN OF SOVIET EXPORTS TO THE POLES, AS THE ROLE OF RAW MATERIALS DIMINISHES AND SALES OF MANUFACTURED GOODS INCREASE SHARPLY. END SUMMARY.

2. ACCORDING TO THE JOINT COMMUNIQUE ISSUED FOLLOWING
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THE KOSYGIN VISIT, THE POLISH-SOVIET 1976-1980 TRADE

PROTOCOL WAS SIGNED ON THE EVE OF KOSYGIN'S ARRIVAL BY JAGIELSKI AND BAJBAKOW, CHAIRMEN OF THE POLISH AND SOVIET PLANNING COMMISSIONS. A COMMERCIAL REPRESENTATIVE ATTACHED TO THE SOVIET EMBASSY TOLD AN EMBOFF THAT JAGIELSKI, WHO RECENTLY SUFFERED A HEART ATTACK, WAS NOT WELL BUT SIGNED THE PROTOCOL BECAUSE THIS IS CONSIDERED THE APPROPRIATE FORUMLA FOR AGREEMENT.

3. THE LITTLE INFORMATION PUBLISHED ABOUT THE PROTOCOL CAN BE SUMMARIZED AS FOLLOWS:

A. BILATERAL TRADE TURNOVER DURING THE NEXT FIVE-YEAR PERIOD SHOULD EXCEED 23 BILLION RUBLES. THIS IS VARIOUSLY DESCRIBED AS A 70 PERCENT INCREASE OVER THE LEVEL CALLED FOR IN THE PREVIOUS FIVE-YEAR AGREEMENT, AND A 50 PERCENT INCREASE, "AT COMPARABLE PRICES", OVER THE ACTUAL TURNOVER DURING THE CURRENT FIVE-YEAR PERIOD.

B. THE PROTOCOL APPEARS TO SIGNAL A CHANGE IN THE STRUCTURE OF POLISH-SOVIET TRADE, AS SOVIET SALES OF MACHINERY ARE TO RISE FROM 38 TO 51 PERCENT OF TOTAL EXPORTS TO POLAND, WHILE POLISH EQUIPMENT EXPORTS INCREASE FROM 52 TO 61 PERCENT OF TOTAL POLISH SALES TO THE USSR. TURNOVER IN COMPLETE INDUSTRIAL PLANTS IS TO INCREASE TWO AND ONE-HALF TIMES, AND TRADE IN MACHINERY IS TO DOUBLE.

C. BILATERAL TRADE UNDER SPECIALIZATION AGREEMENTS WILL, ACCORDING TO PRESS REPORTS, TRIPLE DURING THE NEXT FIVE YEARS, IN COMPARISON WITH THE 1971-75 TOTAL.

D. PRESS ACCOUNTS PROVIDE NO INFORMATION REGARDING THE PLANNED LEVELS OF RAW MATERIALS DELIVERIES BY EITHER SIDE DURING THE NEXT FIVE YEARS. THE IMPORTANCE OF EACH PARTY AS A RAW MATERIALS SUPPLIER TO THE OTHER IS NOTED IN THE TRYBUNA LUDU DESCRIPTION OF THE KOSYGIN VISIT, AND THE JOINT COMMUNIQUE STRESSES THE SIGNIFICANCE OF THE CEMA PROJECTS IN THE USSR IN WHICH POLAND IS PARTICIPATING. NO MENTION IS MADE, HOWEVER, OF NEW PROJECTS OR INCREASED RAW MATERIALS SUPPLIES.

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PAGE 03 WARSAW 05373 161208Z

4. COMMENT: THE GOALS SET BY THE NEW TRADE PROTOCOL DO NTO STRIKE US AS PARTICULARLY AMBITIOUS. WE ASSUME THAT THE 50 PERCENT INCREASE IN TRADE TURNOVER "AT COMPARABLE PRICES" REFERS TO TRADE GROWTH EXCLUSIVE OF PRICE INCREASES, ALTHOUGH IT IS NOT CLEAR HOW THE "COMPARABLE PRICES" WILL BE CALCULATED, IN VIEW OF THE CEMA PRICE CHANGES IN 1975. IN ANY CASE, A NET GROWTH OF 50 PERCENT IN BILATERAL TURNOVER DURING A FIVE-YEAR PERIOD IS RELATIVELY MODEST,

CONSIDERING THE 60 PERCENT PER YEAR GROWTH OF POLISH TRADE
WITH THE WEST IN RECENT YEARS.

5. MORE TROUBLESOME FOR THE POLES IS THE SHIFT IN SOVIET
EXPORTS TOWARD MANUFACTURED GOODS AND AWAY FROM RAW
MATERIALS. THE BULK OF THE TRADE GROWTH UNDER THE
PROTOCOL WILL BE IN MACHINERY AND EQUIPMENT SALES, AND
WITHIN THIS CATEGORY SOVIET EXPORTS WILL INCREASE FAR
MORE RAPIDLY THAN POLISH. THIS CAN HARDLY BE A WELCOME
DEVELOPMENT FOR THE POLES, WHO WOULD PREFER TO EXCHANGE
THEIR INDUSTRIAL PRODUCTS FOR SOVIET RAW MATERIALS. THE
POLES HAVE DIFFICULTY EARNING HARD CURRENCY WITH THEIR
INDUSTRIAL EXPORTS AND MUST USE HARD CURRENCY TO REPLACE
THE RAW MATERIALS THEY DO NOT RECEIVE FOR THE SOVIETS.
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